

**Tennessee Board of Regents  
Dyersburg State Community College**

**For the Years Ended  
June 30, 1998, and June 30, 1997**

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Technical Analyst

August 25, 1999

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable Charles E. Smith, Chancellor  
Tennessee Board of Regents  
1415 Murfreesboro Road, Suite 350  
Nashville, Tennessee 37217

and

Dr. Karen A. Bowyer, President  
Dyersburg State Community College  
1510 Lake Road  
Dyersburg, Tennessee 38024

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Dyersburg State Community College, for the years ended June 30, 1998, and June 30, 1997. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/rm  
99/054

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Dyersburg State Community College**  
For the Years Ended June 30, 1998, and June 30, 1997

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

## AUDIT FINDINGS

The audit report contains no findings.

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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**Audit Report**  
**Tennessee Board of Regents**  
**Dyersburg State Community College**  
**For the Years Ended June 30, 1998, and June 30, 1997**

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**TABLE OF CONTENTS**

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|  | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| <b>INTRODUCTION</b>  |                | 1           |
| Post-Audit Authority   |                | 1           |
| Background   |                | 1           |
| Organization   |                | 1           |
| <b>AUDIT SCOPE</b>   |                | 2           |
| <b>OBJECTIVES OF THE AUDIT</b>   |                | 2           |
| <b>PRIOR AUDIT FINDINGS</b>  |                | 2           |
| Resolved Audit Finding   |                | 2           |
| <b>RESULTS OF THE AUDIT</b>  |                | 3           |
| Audit Conclusions  |                | 3           |
| Report on Compliance and on Internal Control<br>Over Financial Reporting Based on an Audit of<br>Financial Statements Performed in Accordance<br>With <i>Government Auditing Standards</i> |                | 4           |
| <b>FINANCIAL STATEMENTS</b>  |                |             |
| Independent Auditor's Report   |                | 6           |
| Balance Sheets   | A              | 8           |
| Statement of Changes in Fund Balances<br>for the Year Ended June 30, 1998  | B              | 10          |
| Statement of Changes in Fund Balances<br>for the Year Ended June 30, 1997  | C              | 11          |

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## TABLE OF CONTENTS (CONT.)

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|   | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Statement of Current Funds Revenues,<br>Expenditures, and Other Changes<br>for the Year Ended June 30, 1998 | D              | 12          |
| Statement of Current Funds Revenues,<br>Expenditures, and Other Changes<br>for the Year Ended June 30, 1997 | E              | 13          |
| Notes to the Financial Statements   |                | 14          |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>   |                |             |
| Year 2000 Disclosures   |                | 25          |

**Tennessee Board of Regents  
Dyersburg State Community College  
For the Years Ended June 30, 1998, and June 30, 1997**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Dyersburg State Community College. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

**BACKGROUND**

Tennessee’s community college system was conceived in 1957 when the state legislature ordered a study of community college programs known as the Pierce-Albright Report. Acting on the recommendation of the Governor and the state’s Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee. On June 13, 1967, the State Board of Education announced Dyersburg as the site of the second community college in West Tennessee. On July 1, 1972, the General Assembly transferred the governance of the community college system to the Tennessee Board of Regents.

**ORGANIZATION**

The governance of Dyersburg State Community College is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

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## AUDIT SCOPE

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The audit was limited to the period July 1, 1996, through June 30, 1998, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1998, and June 30, 1997. Dyersburg State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## OBJECTIVES OF THE AUDIT

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The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
  2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
  3. to determine the fairness of the presentation of the financial statements; and
  4. to recommend appropriate actions to correct any deficiencies.
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## PRIOR AUDIT FINDINGS

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Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The college filed its report with the Department of Audit on March 10, 1998. A follow-up of the prior audit finding was conducted as part of the current audit.

## **RESOLVED AUDIT FINDING**

The current audit disclosed that the college has corrected the previous audit finding concerning segregation of duties over disbursements and investigation of unusual transactions.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 1998, and June 30, 1997, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.

#### Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the college's financial statements.

**Report on Compliance and on Internal Control  
Over Financial Reporting Based on an Audit of  
Financial Statements Performed in Accordance With  
*Government Auditing Standards***

June 18, 1999

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Dyersburg State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1998, and June 30, 1997, and have issued our report thereon dated June 18, 1999. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable John G. Morgan  
June 18, 1999  
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the college's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/rm

## **Independent Auditor's Report**

June 18, 1999

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Dyersburg State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1998, and June 30, 1997, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Dyersburg State Community College, as of June 30, 1998, and June 30, 1997, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan  
June 18, 1999  
Page Two

As discussed in Notes 12 and 13 to the financial statements, the college implemented GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB 16, *Accounting for Compensated Absences*, in conformity with generally accepted accounting principles. Also, as discussed in Note 12, the college changed the threshold for capitalizing equipment.

The Year 2000 Disclosures on page 25 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the college is or will become year 2000 compliant, that the college's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the college does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 1999, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/rm

TENNESSEE BOARD OF REGENTS  
DYERSBURG STATE COMMUNITY COLLEGE  
BALANCE SHEETS  
JUNE 30, 1998, AND JUNE 30, 1997

|  | June 30, 1998   | June 30, 1997   |  | June 30, 1998   | June 30, 1997   |
|--|-----------------|-----------------|--|-----------------|-----------------|
| <b>ASSETS</b>  |                 |                 | <b>LIABILITIES AND FUND BALANCES</b>           |                 |                 |
| Current funds:   |                 |                 | Current funds:                                 |                 |                 |
| Unrestricted:  |                 |                 | Unrestricted:                                  |                 |                 |
| General:   |                 |                 | General:                                       |                 |                 |
| Cash and cash equivalents (Notes 2 and 3)  | \$ 871,656.98   | \$ 857,575.13   | Liabilities:                                   |                 |                 |
| Accounts receivable (net of allowance of \$9,571.53 at June 30, 1998, and \$5,834.52 at June 30, 1997) | 74,394.41       | 34,897.30       | Accounts payable                               | \$ 389,069.55   | \$ 395,013.63   |
| Prepaid expenses   | 6,075.33        | 182.13          | Accrued liabilities                            | 170,954.53      | 211,996.01      |
| Due from restricted current funds  | -               | 173,969.40      | Deferred revenue                               | 135,442.50      | 139,639.27      |
| Due from agency funds  | -               | 48,113.54       | Compensated absences                           | 407,612.87      | 401,528.92      |
|  |                 |                 | Total liabilities                              | 1,103,079.45    | 1,148,177.83    |
|  |                 |                 | Fund balances:                                 |                 |                 |
|  |                 |                 | Nondiscretionary allocations:                  |                 |                 |
|  |                 |                 | Allocation for working capital                 | 49,353.19       | 4,182.13        |
|  |                 |                 | Allocation for encumbrances                    | 7,579.69        | 19,466.46       |
|  |                 |                 | Allocation for designated state appropriations | 1,006.66        | 1,045.03        |
|  |                 |                 | Discretionary allocations:                     |                 |                 |
|  |                 |                 | Allocation for subsequent budget               | 153,300.00      | 274,200.00      |
|  |                 |                 | Allocation for athletics                       | 2,582.00        | 2,325.00        |
|  |                 |                 | Allocation for compensated absences            | (407,612.87)    | (401,528.92)    |
|  |                 |                 | Unallocated                                    | 42,838.60       | 66,869.97       |
|  |                 |                 | Total fund balances                            | (150,952.73)    | (33,440.33)     |
| Total general  | 952,126.72      | 1,114,737.50    | Total general                                  | 952,126.72      | 1,114,737.50    |
| Auxiliary enterprises:   |                 |                 | Auxiliary enterprises:                         |                 |                 |
| Cash and cash equivalents (Notes 2 and 3)  | 1,487.65        | 1,391.30        | Fund balances:                                 |                 |                 |
| Accounts receivable  | 6,785.05        | 2,270.52        | Nondiscretionary allocation:                   |                 |                 |
|  |                 |                 | Allocation for working capital                 | 6,785.05        | 2,270.52        |
|  |                 |                 | Discretionary allocation:                      |                 |                 |
|  |                 |                 | Allocation for contingencies                   | 1,487.65        | 1,391.30        |
| Total auxiliary enterprises  | 8,272.70        | 3,661.82        | Total auxiliary enterprises                    | 8,272.70        | 3,661.82        |
| Total unrestricted   | 960,399.42      | 1,118,399.32    | Total unrestricted                             | 960,399.42      | 1,118,399.32    |
| Restricted:  |                 |                 | Restricted:                                    |                 |                 |
| Cash and cash equivalents (Notes 2 and 3)  | 187,402.77      | -               | Liabilities:                                   |                 |                 |
| Investments (Note 4)   | 4,398.30        | 9,614.76        | Accounts payable                               | 44,447.44       | 44,699.23       |
| Accounts and grants receivable   | 464,726.96      | 584,006.21      | Accrued liabilities                            | 85,454.43       | 94,328.58       |
|  |                 |                 | Due to unrestricted current funds              | -               | 173,969.40      |
|  |                 |                 | Total liabilities                              | 129,901.87      | 312,997.21      |
|  |                 |                 | Fund balance                                   | 526,626.16      | 280,623.76      |
| Total restricted   | 656,528.03      | 593,620.97      | Total restricted                               | 656,528.03      | 593,620.97      |
| Total current funds  | \$ 1,616,927.45 | \$ 1,712,020.29 | Total current funds                            | \$ 1,616,927.45 | \$ 1,712,020.29 |
| Loan funds:  |                 |                 | Loan funds:                                    |                 |                 |
| Cash and cash equivalents (Notes 2 and 3)  | \$ 4,917.88     | \$ 6,894.68     | Fund balances:                                 |                 |                 |
| Notes receivable (net of allowance of \$1,597.90 at June 30, 1998, and \$1,773.47 at June 30, 1997)    | 3,200.61        | 3,372.28        | U.S. government grants refundable              | \$ 4,319.91     | \$ 6,200.40     |
| Accrued interest receivable  | 958.85          | 899.81          | Institutional funds:                           |                 |                 |
|  |                 |                 | Restricted - matching                          | 479.99          | 688.93          |
| Total loan funds   | \$ 9,077.34     | \$ 11,166.77    | Unrestricted                                   | 4,277.44        | 4,277.44        |
| Endowment and similar funds:   |                 |                 | Total loan funds                               | \$ 9,077.34     | \$ 11,166.77    |
| Cash and cash equivalents (Notes 2 and 3)  | \$ 75,295.00    | \$ 58,740.45    | Endowment and similar funds:                   |                 |                 |
| Investments (Note 4)   | 80,803.21       | 94,599.55       | Fund balance:                                  |                 |                 |
| Total endowment and similar funds  | \$ 156,098.21   | \$ 153,340.00   | Endowment                                      | \$ 156,098.21   | \$ 153,340.00   |
| Plant funds:   |                 |                 | Total endowment and similar funds              | \$ 156,098.21   | \$ 153,340.00   |
| Unexpended plant:  |                 |                 | Plant funds:                                   |                 |                 |
| Cash and cash equivalents (Notes 2 and 3)  | \$ 373,612.04   | \$ 454,378.48   | Unexpended plant:                              |                 |                 |
| LGIP deposit - capital projects  | 38,183.13       | 144,162.00      | Liabilities:                                   |                 |                 |
|  |                 |                 | Accounts payable                               | \$ -            | \$ 8,695.33     |
| Total unexpended plant   | 411,795.17      | 598,540.48      | Fund balance:                                  |                 |                 |
|  |                 |                 | Unrestricted (Note 5)                          | 411,795.17      | 589,845.15      |
|  |                 |                 | Total unexpended plant                         | 411,795.17      | 598,540.48      |

TENNESSEE BOARD OF REGENTS  
DYERSBURG STATE COMMUNITY COLLEGE  
BALANCE SHEETS  
JUNE 30, 1998, AND JUNE 30, 1997

|   | June 30, 1998           | June 30, 1997           |   | June 30, 1998           | June 30, 1997           |
|---|-------------------------|-------------------------|---|-------------------------|-------------------------|
| <b>ASSETS</b>                             |                         |                         | <b>LIABILITIES AND FUND BALANCES</b>    |                         |                         |
| Cash and cash equivalents (Notes 2 and 3) | <u>330,359.77</u>       | <u>325,336.87</u>       | Liabilities:                            |                         |                         |
|   |                         |                         | Accounts payable                        | <u>-</u>                | <u>539.00</u>           |
|   |                         |                         | Fund balance:                           |                         |                         |
|   |                         |                         | Unrestricted (Note 5)                   | <u>330,359.77</u>       | <u>324,797.87</u>       |
| Total renewals and replacements           | <u>330,359.77</u>       | <u>325,336.87</u>       | Total renewals and replacements         | <u>330,359.77</u>       | <u>325,336.87</u>       |
| Investment in plant:                      |                         |                         | Investment in plant:                    |                         |                         |
| Land                                      | 556,925.00              | 556,925.00              | Fund balance:                           |                         |                         |
| Buildings                                 | 10,325,569.70           | 8,465,117.93            | Net investment in plant                 | <u>17,602,694.79</u>    | <u>16,124,831.84</u>    |
| Improvements other than buildings         | 752,566.35              | 473,324.48              |   |                         |                         |
| Equipment                                 | 3,096,980.54            | 3,181,739.35            |   |                         |                         |
| Library books                             | 2,177,099.96            | 2,064,336.00            |   |                         |                         |
| Other library holdings                    | 484,961.83              | 401,826.00              |   |                         |                         |
| Construction in progress                  | <u>208,591.41</u>       | <u>981,563.08</u>       |   |                         |                         |
| Total investment in plant                 | <u>17,602,694.79</u>    | <u>16,124,831.84</u>    | Total investment in plant               | <u>17,602,694.79</u>    | <u>16,124,831.84</u>    |
| Total plant funds                         | <u>\$ 18,344,849.73</u> | <u>\$ 17,048,709.19</u> | Total plant funds                       | <u>\$ 18,344,849.73</u> | <u>\$ 17,048,709.19</u> |
| Agency funds:                             |                         |                         | Agency funds:                           |                         |                         |
| Foundation:                               |                         |                         | Foundation:                             |                         |                         |
| Cash and cash equivalents (Notes 2 and 3) | \$ 180,798.42           | \$ 48,411.56            | Liabilities:                            |                         |                         |
| Investments (Note 4)                      | 2,040,853.58            | 1,284,526.59            | Deposits held in custody for foundation | <u>\$ 2,230,125.23</u>  | <u>\$ 1,342,345.74</u>  |
| Accrued interest receivable               | <u>8,473.23</u>         | <u>9,407.59</u>         |   |                         |                         |
| Total foundation                          | <u>2,230,125.23</u>     | <u>1,342,345.74</u>     | Total foundation                        | <u>2,230,125.23</u>     | <u>1,342,345.74</u>     |
| Nonfoundation:                            |                         |                         | Nonfoundation:                          |                         |                         |
| Cash and cash equivalents (Notes 2 and 3) | 338,338.01              | 421,978.77              | Liabilities:                            |                         |                         |
| Accounts receivable                       | <u>2,068.16</u>         | <u>1,046.05</u>         | Accounts payable                        | 1,650.20                | 1,175.99                |
|   |                         |                         | Due to unrestricted current funds       | -                       | 48,113.54               |
|   |                         |                         | Deposits held in custody for others     | <u>338,755.97</u>       | <u>373,735.29</u>       |
| Total nonfoundation                       | <u>340,406.17</u>       | <u>423,024.82</u>       | Total nonfoundation                     | <u>340,406.17</u>       | <u>423,024.82</u>       |
| Total agency funds                        | <u>\$ 2,570,531.40</u>  | <u>\$ 1,765,370.56</u>  | Total agency funds                      | <u>\$ 2,570,531.40</u>  | <u>\$ 1,765,370.56</u>  |

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
DYERSBURG STATE COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1998

|   | Current Funds          |                      |                    |                             | Plant Funds          |                           |                         |
|---|------------------------|----------------------|--------------------|-----------------------------|----------------------|---------------------------|-------------------------|
|   | Unrestricted           | Restricted           | Loan Funds         | Endowment and Similar Funds | Unexpended           | Renewals and Replacements | Investment In Plant     |
| <b>REVENUES AND OTHER ADDITIONS</b>   |                        |                      |                    |                             |                      |                           |                         |
| Unrestricted current fund revenues  | \$ 7,629,615.94        | \$ -                 | \$ -               | \$ -                        | \$ -                 | \$ -                      | \$ -                    |
| Auxiliary enterprise revenues   | 29,753.00              | -                    | -                  | -                           | -                    | -                         | -                       |
| Tuition and fees  | -                      | 9,426.80             | -                  | -                           | -                    | -                         | -                       |
| State appropriations  | -                      | 89,900.00            | -                  | -                           | 1,986,506.51         | -                         | -                       |
| Federal grants and contracts  | -                      | 4,829,910.53         | -                  | -                           | -                    | -                         | -                       |
| State grants and contracts  | -                      | 160,071.71           | -                  | -                           | -                    | -                         | -                       |
| Private gifts, grants, and contracts  | -                      | 647,303.93           | -                  | 1,955.00                    | -                    | -                         | 32,448.00               |
| Endowment income  | -                      | 9,333.92             | -                  | -                           | -                    | -                         | -                       |
| Investment income   | -                      | -                    | 151.20             | -                           | -                    | -                         | -                       |
| Interest on loans receivable  | -                      | -                    | 200.80             | -                           | -                    | -                         | -                       |
| Reduction in doubtful accounts  | -                      | -                    | 175.57             | -                           | -                    | -                         | -                       |
| Net increase in the fair value of investments   | -                      | -                    | -                  | 450.95                      | -                    | -                         | -                       |
| Equipment use charges   | -                      | -                    | -                  | -                           | -                    | 82,000.00                 | -                       |
| Expended for plant facilities (including \$342,201.36 charged to current fund expenditures) | -                      | -                    | -                  | -                           | -                    | -                         | 2,067,532.25            |
| Library holdings revaluation  | -                      | -                    | -                  | -                           | -                    | -                         | 222,040.24              |
| Other   | -                      | -                    | -                  | -                           | -                    | -                         | 17,656.06               |
| <b>Total revenues and other additions</b>   | <b>7,659,368.94</b>    | <b>5,745,946.89</b>  | <b>527.57</b>      | <b>2,405.95</b>             | <b>1,986,506.51</b>  | <b>82,000.00</b>          | <b>2,339,676.55</b>     |
| <b>EXPENDITURES AND OTHER DEDUCTIONS</b>  |                        |                      |                    |                             |                      |                           |                         |
| Educational and general expenditures  | 7,772,270.46           | 5,359,574.57         | -                  | -                           | -                    | -                         | -                       |
| Indirect costs recovered  | -                      | 133,525.29           | -                  | -                           | -                    | -                         | -                       |
| Refunded to grantors  | -                      | 6,844.63             | 2,617.00           | -                           | -                    | -                         | -                       |
| Expended for plant facilities   | -                      | -                    | -                  | -                           | 1,670,014.69         | 55,316.20                 | -                       |
| Expended for noncapital items   | -                      | -                    | -                  | -                           | 421,940.76           | 21,121.90                 | -                       |
| Disposal of plant facilities  | -                      | -                    | -                  | -                           | -                    | -                         | 557,095.40              |
| Other   | -                      | -                    | -                  | -                           | 72,601.04            | -                         | -                       |
| <b>Total expenditures and other deductions</b>  | <b>7,772,270.46</b>    | <b>5,499,944.49</b>  | <b>2,617.00</b>    | <b>-</b>                    | <b>2,164,556.49</b>  | <b>76,438.10</b>          | <b>557,095.40</b>       |
| <b>Net increases (decreases) for the year</b>   | <b>(112,901.52)</b>    | <b>246,002.40</b>    | <b>(2,089.43)</b>  | <b>2,405.95</b>             | <b>(178,049.98)</b>  | <b>5,561.90</b>           | <b>1,782,581.15</b>     |
| Fund balances at beginning of year  | (29,778.51)            | 280,623.76           | 11,166.77          | 153,340.00                  | 589,845.15           | 324,797.87                | 16,124,831.84           |
| Cumulative effect of change in accounting principle (Note 12)                               | -                      | -                    | -                  | 352.26                      | -                    | -                         | (304,718.20)            |
| Fund balances at beginning of year, as restated   | (29,778.51)            | 280,623.76           | 11,166.77          | 153,692.26                  | 589,845.15           | 324,797.87                | 15,820,113.64           |
| <b>Fund balances at end of year</b>   | <b>\$ (142,680.03)</b> | <b>\$ 526,626.16</b> | <b>\$ 9,077.34</b> | <b>\$ 156,098.21</b>        | <b>\$ 411,795.17</b> | <b>\$ 330,359.77</b>      | <b>\$ 17,602,694.79</b> |

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
DYERSBURG STATE COMMUNITY COLLEGE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 1997

|   | Current Funds   |               |              |                                | Plant Funds   |                              |                        |
|---|-----------------|---------------|--------------|--------------------------------|---------------|------------------------------|------------------------|
|   | Unrestricted    | Restricted    | Loan Funds   | Endowment and<br>Similar Funds | Unexpended    | Renewals and<br>Replacements | Investment<br>In Plant |
| <b>REVENUES AND OTHER ADDITIONS</b>   |                 |               |              |                                |               |                              |                        |
| Unrestricted current fund revenues  | \$ 7,346,888.73 | \$ -          | \$ -         | \$ -                           | \$ -          | \$ -                         | \$ -                   |
| Auxiliary enterprise revenues   | 27,826.00       | -             | -            | -                              | -             | -                            | -                      |
| Tuition and fees  | -               | 9,561.70      | -            | -                              | -             | -                            | -                      |
| State appropriations  | -               | 92,576.00     | -            | -                              | 681,584.72    | -                            | -                      |
| Federal grants and contracts  | -               | 4,215,345.95  | -            | -                              | -             | -                            | -                      |
| State grants and contracts  | -               | 134,997.15    | -            | -                              | -             | -                            | -                      |
| Local grants and contracts  | -               | -             | -            | -                              | 178,662.00    | -                            | -                      |
| Private gifts, grants, and contracts  | -               | 332,100.93    | -            | 11,780.00                      | -             | -                            | 70,120.00              |
| Endowment income  | -               | 9,243.82      | -            | -                              | -             | -                            | -                      |
| Investment income   | -               | -             | 124.36       | -                              | -             | -                            | -                      |
| Interest on loans receivable  | -               | -             | 110.75       | -                              | -             | -                            | -                      |
| Reduction in doubtful accounts  | -               | -             | 85.59        | -                              | -             | -                            | -                      |
| Reclassification from restricted current funds  | -               | -             | -            | 25,395.00                      | -             | -                            | -                      |
| Equipment use charges   | -               | -             | -            | -                              | -             | 73,000.00                    | -                      |
| Expended for plant facilities (including<br>\$240,175.32 charged to current fund<br>expenditures) | -               | -             | -            | -                              | -             | -                            | 1,073,170.22           |
| Library holdings revaluation (Note 11)  | -               | -             | -            | -                              | -             | -                            | 967,872.67             |
| Other   | -               | -             | -            | 18,100.00                      | -             | -                            | 3,610.40               |
| Total revenues and other additions  | 7,374,714.73    | 4,793,825.55  | 320.70       | 55,275.00                      | 860,246.72    | 73,000.00                    | 2,114,773.29           |
| <b>EXPENDITURES AND OTHER DEDUCTIONS</b>  |                 |               |              |                                |               |                              |                        |
| Educational and general expenditures  | 7,214,133.90    | 4,698,568.14  | -            | -                              | -             | -                            | -                      |
| Indirect costs recovered  | -               | 87,670.09     | -            | -                              | -             | -                            | -                      |
| Refunded to grantors  | -               | 1,549.30      | -            | -                              | -             | -                            | -                      |
| Reclassification to endowment and similar funds   | -               | 25,395.00     | -            | -                              | -             | -                            | -                      |
| Loan cancellations and write-offs   | -               | -             | 180.00       | -                              | -             | -                            | -                      |
| Expended for plant facilities   | -               | -             | -            | -                              | 827,740.24    | 5,254.66                     | -                      |
| Expended for noncapital items   | -               | -             | -            | -                              | 55,694.50     | 183.00                       | -                      |
| Disposal of plant facilities  | -               | -             | -            | -                              | -             | -                            | 66,759.82              |
| Other   | -               | -             | -            | -                              | 6,460.91      | -                            | -                      |
| Total expenditures and other deductions   | 7,214,133.90    | 4,813,182.53  | 180.00       | -                              | 889,895.65    | 5,437.66                     | 66,759.82              |
| <b>TRANSFER BETWEEN FUNDS - ADDITION<br/>(DEDUCTION)</b>  |                 |               |              |                                |               |                              |                        |
| Nonmandatory:   |                 |               |              |                                |               |                              |                        |
| Unexpended plant  | (200,000.00)    | -             | -            | -                              | 200,000.00    | -                            | -                      |
| Net increases (decreases) for the year  | (39,419.17)     | (19,356.98)   | 140.70       | 55,275.00                      | 170,351.07    | 67,562.34                    | 2,048,013.47           |
| Fund balances at beginning of year (Note 13)  | 9,640.66        | 299,980.74    | 11,026.07    | 98,065.00                      | 419,494.08    | 257,235.53                   | 14,076,818.37          |
| Fund balances at end of year  | \$ (29,778.51)  | \$ 280,623.76 | \$ 11,166.77 | \$ 153,340.00                  | \$ 589,845.15 | \$ 324,797.87                | \$ 16,124,831.84       |

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
DYERSBURG STATE COMMUNITY COLLEGE  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1998

|  | <u>Unrestricted</u>    | <u>Restricted</u>    | <u>Total</u>         |
|--|------------------------|----------------------|----------------------|
| <b><u>REVENUES</u></b>                                   |                        |                      |                      |
| Tuition and fees   | \$ 2,097,494.28        | \$ 9,754.62          | \$ 2,107,248.90      |
| State appropriations                                     | 5,124,900.00           | 102,166.25           | 5,227,066.25         |
| Federal grants and contracts                             | 137,322.29             | 4,686,589.78         | 4,823,912.07         |
| State grants and contracts                               | 5,000.00               | 176,514.15           | 181,514.15           |
| Private gifts, grants, and contracts                     | -                      | 375,926.71           | 375,926.71           |
| Investment income  | 90,367.85              | -                    | 90,367.85            |
| Endowment income   | -                      | 8,623.06             | 8,623.06             |
| Sales and services of educational activities             | 130,102.03             | -                    | 130,102.03           |
| Sales and services of auxiliary enterprises              | 29,753.00              | -                    | 29,753.00            |
| Other sources  | 44,429.49              | -                    | 44,429.49            |
| Total current revenues                                   | <u>7,659,368.94</u>    | <u>5,359,574.57</u>  | <u>13,018,943.51</u> |
| <b><u>EXPENDITURES AND TRANSFERS</u></b>                 |                        |                      |                      |
| Educational and general:                                 |                        |                      |                      |
| Expenditures:  |                        |                      |                      |
| Instruction  | 4,432,074.39           | 578,792.47           | 5,010,866.86         |
| Public service   | 28,214.87              | 2,213,811.47         | 2,242,026.34         |
| Academic support   | 422,817.26             | 105,600.47           | 528,417.73           |
| Student services   | 1,051,053.11           | 610,163.16           | 1,661,216.27         |
| Institutional support                                    | 1,010,869.67           | 143,165.81           | 1,154,035.48         |
| Operation and maintenance of plant                       | 751,924.65             | -                    | 751,924.65           |
| Scholarships and fellowships                             | 75,316.51              | 1,708,041.19         | 1,783,357.70         |
| Total educational and general expenditures               | <u>7,772,270.46</u>    | <u>5,359,574.57</u>  | <u>13,131,845.03</u> |
| Nonmandatory transfer for:                               |                        |                      |                      |
| Auxiliary enterprises                                    | <u>(25,142.12)</u>     | <u>-</u>             | <u>(25,142.12)</u>   |
| Total educational and general                            | <u>7,747,128.34</u>    | <u>5,359,574.57</u>  | <u>13,106,702.91</u> |
| Auxiliary enterprises:                                   |                        |                      |                      |
| Nonmandatory transfer for:                               |                        |                      |                      |
| Educational and general                                  | <u>25,142.12</u>       | <u>-</u>             | <u>25,142.12</u>     |
| Total auxiliary enterprises                              | <u>25,142.12</u>       | <u>-</u>             | <u>25,142.12</u>     |
| Total expenditures and transfers                         | <u>7,772,270.46</u>    | <u>5,359,574.57</u>  | <u>13,131,845.03</u> |
| <b><u>OTHER ADDITION (DEDUCTIONS)</u></b>                |                        |                      |                      |
| Excess of restricted receipts over transfers to revenues | -                      | 386,372.32           | 386,372.32           |
| Indirect costs recovered                                 | -                      | (133,525.29)         | (133,525.29)         |
| Refunded to grantors                                     | -                      | (6,844.63)           | (6,844.63)           |
| Net increase (decrease) in fund balances                 | \$ <u>(112,901.52)</u> | \$ <u>246,002.40</u> | \$ <u>133,100.88</u> |

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS  
DYERSBURG STATE COMMUNITY COLLEGE  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1997

|   | <u>Unrestricted</u>   | <u>Restricted</u>     | <u>Total</u>          |
|---|-----------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                                 |                       |                       |                       |
| Tuition and fees                                | \$ 2,049,612.81       | \$ 9,929.59           | \$ 2,059,542.40       |
| State appropriations                            | 4,908,900.00          | 92,030.37             | 5,000,930.37          |
| Federal grants and contracts                    | 124,697.98            | 4,066,448.88          | 4,191,146.86          |
| State grants and contracts                      | 4,068.00              | 200,255.49            | 204,323.49            |
| Private gifts, grants, and contracts            | -                     | 321,214.19            | 321,214.19            |
| Investment income                               | 101,200.63            | -                     | 101,200.63            |
| Endowment income                                | -                     | 8,689.62              | 8,689.62              |
| Sales and services of educational activities    | 117,738.38            | -                     | 117,738.38            |
| Sales and services of auxiliary enterprises     | 27,826.00             | -                     | 27,826.00             |
| Other sources                                   | 40,670.93             | -                     | 40,670.93             |
| Total current revenues                          | <u>7,374,714.73</u>   | <u>4,698,568.14</u>   | <u>12,073,282.87</u>  |
| <b>EXPENDITURES AND TRANSFERS</b>               |                       |                       |                       |
| Educational and general:                        |                       |                       |                       |
| Expenditures:                                   |                       |                       |                       |
| Instruction                                     | 4,159,963.35          | 562,026.43            | 4,721,989.78          |
| Public service                                  | 12,074.21             | 1,857,785.13          | 1,869,859.34          |
| Academic support                                | 422,557.68            | 4,795.98              | 427,353.66            |
| Student services                                | 838,097.30            | 657,181.96            | 1,495,279.26          |
| Institutional support                           | 988,144.20            | 94,343.89             | 1,082,488.09          |
| Operation and maintenance of plant              | 722,310.90            | -                     | 722,310.90            |
| Scholarships and fellowships                    | 70,986.26             | 1,522,434.75          | 1,593,421.01          |
| Total educational and general expenditures      | 7,214,133.90          | 4,698,568.14          | 11,912,702.04         |
| Nonmandatory transfers for:                     |                       |                       |                       |
| Auxiliary enterprises                           | (27,093.84)           | -                     | (27,093.84)           |
| Unexpended plant                                | 200,000.00            | -                     | 200,000.00            |
| Total educational and general                   | <u>7,387,040.06</u>   | <u>4,698,568.14</u>   | <u>12,085,608.20</u>  |
| Auxiliary enterprises:                          |                       |                       |                       |
| Nonmandatory transfer for:                      |                       |                       |                       |
| Educational and general                         | 27,093.84             | -                     | 27,093.84             |
| Total auxiliary enterprises                     | <u>27,093.84</u>      | <u>-</u>              | <u>27,093.84</u>      |
| Total expenditures and transfers                | <u>7,414,133.90</u>   | <u>4,698,568.14</u>   | <u>12,112,702.04</u>  |
| <b>OTHER ADDITION (DEDUCTIONS)</b>              |                       |                       |                       |
| Excess of restricted receipts over              |                       |                       |                       |
| transfers to revenues                           | -                     | 95,257.41             | 95,257.41             |
| Indirect costs recovered                        | -                     | (87,670.09)           | (87,670.09)           |
| Refunded to grantors                            | -                     | (1,549.30)            | (1,549.30)            |
| Reclassification to endowment and similar funds | -                     | (25,395.00)           | (25,395.00)           |
| Net decreases in fund balances                  | \$ <u>(39,419.17)</u> | \$ <u>(19,356.98)</u> | \$ <u>(58,776.15)</u> |

The notes to the financial statements are an integral part of this statement.

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements  
June 30, 1998, and June 30, 1997**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The college is part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

**Basis of Presentation**

The financial statements of the college have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The college uses the AICPA College Guide model for accounting and financial reporting.

**Basis of Accounting**

The financial statements of the college have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as expenditures, for normal replacement of movable equipment and library holdings, and nonmandatory transfers, for all other cases.

**Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of the resources available, the college maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and consist of the bookstore. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

Loan Funds

Loan funds consist of resources made available for student loans.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be used.

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes; (2) funds set aside for the renewal and replacement of institutional properties; and (3) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the college acts solely as an agent; consequently, transactions of these funds do not affect the college's operating statements.

**LGIP Deposit–Capital Projects**

Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenditures are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the college for any other purpose until the project is completed and any remaining funds are released by the Tennessee Board of Regents.

**Compensated Absences**

The college's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted revenue sources, a related allocation has been made to the current fund balances so that these fund balances reflect current available funds.

**Allocation for Working Capital**

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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**Plant Assets**

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Interest during construction has not been capitalized. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values which approximate current costs. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

Under a contract with the Tennessee Department of Labor, the college is the administrative entity and grant recipient for the Job Training Partnership Act in service delivery area 13 of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the act resides with the U.S. Department of Labor. Therefore, this equipment is not included in the college's plant fund assets.

**Dyersburg State Community College Foundation**

The college is the sole beneficiary of the Dyersburg State Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are handled by the college, and the assets and liabilities of the foundation are included in the agency funds on the college's balance sheet.

**NOTE 2. CASH AND CASH EQUIVALENTS**

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 1998, cash and cash equivalents consisted of \$435,544.52 in bank accounts, \$2,753.10 of petty cash on hand, \$147,886.13 in money market funds, and \$1,777,684.77 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1997, cash and cash equivalents consisted of \$154,513.07 in bank accounts, \$2,453.10 of petty cash on hand, \$40,137.01 in money market funds, and \$1,977,604.06 in the State of Tennessee Local Government Investment Pool.

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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**NOTE 3. DEPOSITS**

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the college. Category 1 consists of deposits that are insured or collateralized with securities held by the college or by its agent in the college's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the college's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the college's name.

At June 30, 1998, the carrying amount of the college's deposits was \$718,896.54, and the bank balance including accrued interest was \$1,058,286.46. Of the bank balance, \$790,266.15 was category 1, and \$268,020.31 was category 3.

At June 30, 1997, the carrying amount of the college's deposits was \$322,246.15, and the bank balance including accrued interest was \$779,492.27. Of the bank balance, \$646,640.66 was category 1, and \$132,851.61 was category 3. The college had uncollateralized deposits of \$56,327.70 on June 30, 1997, due to a bank error. The bank failed to process the usual payroll direct deposit debit on June 30.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 105% of the uninsured deposits.

The college also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 4. INVESTMENTS**

The college is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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investments of endowments in equity securities be limited to funds from private gifts or other sources external to the college and that endowment investments be prudently diversified. The Dyersburg State Community College Foundation is authorized to invest funds in accordance with its board of directors' policies. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase. Certificates of deposit have been included with other deposits in Note 3 to determine the adequacy of collateral security pledged.

The college's/foundation's investments are categorized below to indicate the level of risk assumed by the college/foundation at year-end. Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparties' trust department or agent in the college's/foundation's name.

June 30, 1998

|  | <u>Fair<br/>Value</u>        |
|--|------------------------------|
| Category 2:  |                              |
| U.S. government securities                                 | \$ 533,096.65                |
| Corporate stocks   | 171,438.00                   |
| Investments not susceptible to credit risk categorization: |                              |
| Mutual funds   | 1,286,054.55                 |
| Certificates of deposit classified as investments          | <u>135,465.89</u>            |
| Total investments on the balance sheet                     | <u><u>\$2,126,055.09</u></u> |

June 30, 1997

|  | <u>Carrying<br/>Amount</u>   | <u>Fair<br/>Value</u>        |
|--|------------------------------|------------------------------|
| Category 2:  |                              |                              |
| U.S. government securities                                 | \$ 559,635.19                | \$ 560,147.35                |
| Corporate stocks   | 60,540.63                    | 129,972.85                   |
| Investments not susceptible to credit risk categorization: |                              |                              |
| Mutual funds   | 640,969.01                   | 763,071.18                   |
| Certificates of deposit classified as investments          | <u>127,596.07</u>            | <u>127,596.07</u>            |
| Total investments on the balance sheet                     | <u><u>\$1,388,740.90</u></u> | <u><u>\$1,580,787.45</u></u> |

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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**NOTE 5. PLANT FUND ENCUMBRANCES**

Plant fund encumbrances outstanding at June 30, 1998, amounted to \$64,278.00 for unexpended plant. Plant fund encumbrances outstanding at June 30, 1997, amounted to \$25,940.00 for renewals and replacements.

**NOTE 6. PENSION PLANS**

**A. Defined Benefit Plan**

During the year ended June 30, 1997, the college implemented GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*. In accordance with that statement, at transition it was determined that a pension liability or asset does not exist for this plan.

**Tennessee Consolidated Retirement System**

Plan Description - The college contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 3.65% of annual covered payroll. Contribution requirements for the college are established and may be amended by the TCRS' Board of Trustees. The college's contributions to TCRS for the years ended June 30, 1998, 1997, and 1996, were \$107,938.63, \$206,790.01, and \$171,704.98. Contributions met the requirements for each year.

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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**B. Defined Contribution Plans**

**Optional Retirement Plans (ORP)**

Plan Description - The college contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly.

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans for the year ended June 30, 1998, was \$252,897.69, and for the year ended June 30, 1997, was \$243,077.81. Contributions met the requirements for each year.

**NOTE 7. OTHER POST-EMPLOYMENT BENEFITS**

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This benefit is provided and administered by the State of Tennessee. The college assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 8. INSURANCE-RELATED ACTIVITIES**

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. In the past three fiscal years, the state has not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$5 million has been established in

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 1998, the scheduled coverage for the college was \$16,576,800 for buildings and \$4,847,400 for contents. At June 30, 1997, the scheduled coverage was \$14,591,200 for buildings and \$4,420,400 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The college participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the college participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The college participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

**NOTE 9. COMMITMENTS AND CONTINGENCIES**

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$2,250,211.04 at June 30, 1998, and \$2,021,869.29 at June 30, 1997.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$41,972.23 and for personal property were \$55,688.45 for the year ended June 30, 1998. The amounts for the year ended June 30, 1997, were \$43,207.24 and \$49,698.03. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 1998, outstanding commitments under construction contracts totaled \$5,053.73 for the Learning Resource Center addition, \$1,116.50 for the Student Center expansion, \$62,499.06 for the Tipton County Center project, \$15,028.93 for the fire flow system, \$316.00 for the boiler replacement project, and \$563.56 for the exterior treatment project, which will be funded by future state capital outlay appropriations.

**NOTE 10. PLEDGES**

At June 30, 1998, unrecorded pledges totaled \$1,944.27 and were restricted to scholarship uses. These pledges are due to be collected during the next fiscal year. It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

**NOTE 11. CHANGE IN ESTIMATE OF LIBRARY HOLDINGS STANDARDIZED VALUES**

At June 30, 1997, the value for library books was increased from \$20 per volume to \$48 per volume, and the standardized values for other library holdings were also increased/decreased by various amounts. As a result of the revaluation, library books increased by \$1,204,196; other library holdings decreased by \$138,642; and net investment in plant, under the investment in plant fund subgroup, increased by \$1,065,554 at June 30, 1997.

**Tennessee Board of Regents  
Dyersburg State Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1998, and June 30, 1997**

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**NOTE 12. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 1998, the college implemented GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires reporting at fair value certain investments with a remaining maturity of more than one year at the time of purchase. The cumulative effect of this change in accounting principle is reported in the accompanying financial statements as a restatement of the beginning fund balance. It was not practical to restate prior periods since all information necessary to conform to this accounting change was not available and the amounts were immaterial.

During the year ended June 30, 1998, the threshold for capitalizing equipment increased from \$500 to \$1,000. As a result of the change, equipment decreased by \$304,718.20. The cumulative effect of this change in accounting principle is reported in the accompanying financial statements as a restatement of the beginning fund balance.

**NOTE 13. PRIOR-YEAR RESTATEMENT**

The college implemented GASB Statement 16, *Accounting for Compensated Absences*. As a result, the beginning fund balance for unrestricted current funds on Exhibit C was decreased by \$ 399,075.66.

**Tennessee Board of Regents  
Dyersburg State Community College  
Required Supplementary Information  
Year 2000 Disclosures**

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The Year 2000 Issue (Y2K) arises because most computer software programs allocate two digits to the data field for year with the assumption that the first two digits will be 19. Such programs will thus interpret the year 2000 as the year 1900, the year 2001 as 1901, etc., absent programming logic to the contrary. Y2K affects both computer hardware (i.e., the embedded logic of computer chips) and computer software, and could impact both the ability to enter data into computer programs and the ability of such programs to correctly process data.

Dyersburg State Community College has established a Y2K Coordinator and a campus committee to facilitate Y2K remediation efforts. The college has started assessing the impact of Y2K on its computer systems and other electronic equipment. Computer systems are defined as both (1) programmed application systems that provide fiscal and administrative services, and (2) supporting hardware and software computer systems infrastructure upon which the application systems reside and are processed. Other electronic equipment includes systems and devices other than traditional computer information systems that may utilize embedded chips in their operations.

The college has determined that certain computer systems are critical and certain are supportive. Critical computer systems are those for which there are manual alternatives, but the college would not likely be able to fully or efficiently perform the functions manually because of the volume of manual activity that would be required. Supportive computer systems are those for which there are manual alternatives, and the college expects to be able to perform such functions manually, if necessary.

The college has identified three critical computer application systems: the Financial Records System (FRS), the Human Resource System (HRS), and the Student Information System (SIS). FRS and SIS have completed the validation/testing stage. This stage is defined as validating and testing the changes that were made during the remediation stage. HRS is in the assessment and remediation stages. The assessment stage is defined as identifying the systems and components for which year 2000 compliance work is needed. The remediation stage is defined as making changes to systems and equipment. We expect HRS to complete the validation/testing stage by June 1, 1999.

The college's mid-level computer system provides the supporting computer systems infrastructure upon which the college's application systems reside and are processed. The mid-level system represents multiple hardware and software components to include a central processor, workstations, and a network operating system. The college has looked at Y2K information from Digital Equipment Corporation, SCT, Information Builders, and other software application and hardware vendors associated with our mid-level computer system. However, no software updates have been applied. These components are currently in the remediation stage. A test of the VAX hardware and software is being planned for March 1999. The college has

**Tennessee Board of Regents  
Dyersburg State Community College  
Required Supplementary Information (Cont.)  
Year 2000 Disclosures**

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assigned the responsibility for determining the Y2K compliance of other equipment that could contain a microprocessor to members of the Y2K committee. These systems include telephone, security, energy management, elevators, lighting, automobiles, instructional laboratory equipment, and fax machines. These systems are in the assessment stage.

The completion of all stages identified as necessary to address the Y2K issue is not a guarantee that systems and equipment will be year 2000 compliant.

The college's Y2K initiatives did not result in the commitment of significant financial resources as of the end of the reporting period. The college is not aware of any circumstances or costs to achieve Y2K compliance that will have a negative impact on the operations or financial status of the institution.